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REVIEW OF TECHNICAL COOPERATION ACTIVITIES OF UNCTAD

Report by the Secretary-General of UNCTAD

EXECUTIVE SUMMARY

This report contains an overview of UNCTAD's technical cooperation activities in 1997. Recent highlights include: continued growth in activities, represented by delivery in 1997 of 165 projects; organization of seminars and workshops for training and human resource development; further enhancement of UNCTAD's software programmes; and an increase of 4 per cent in overall delivery. The focus continues to be on least developed countries, with an increase in their share in overall delivery to 40 per cent and the launching of the Trust Fund for Least Developed Countries. The report also contains proposals on partial cost recovery for DMFAS, ASYCUDA and ACIS. Continued efforts to strengthen cooperation with other organizations engaged in trade-related technical cooperation culminated in: (i) the launching of the WTO/UNCTAD/ITC Common Trust Fund to support the implementation of the Joint Integrated Technical Assistance Programme in Selected Least Developed and Other African Countries; (ii) a memorandum of understanding between UNCTAD and the United Nations Industrial Development Organization to boost investment in developing countries; and (iii) a memorandum of understanding between UNCTAD and the United Nations Development Programme designed to help developing countries integrate into the global economy.

Annex 1 (TD/B/45/6/Add.1) contains a programme-by-programme description of activities undertaken in 1997, together with the corresponding project list. Annex 2 (TD/B/45/6/Add.2) contains statistical information on UNCTAD's technical cooperation.

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INTRODUCTION

1. This report seeks to facilitate the Trade and Development Board's annual policy review of the technical cooperation activities of UNCTAD, which it undertakes in accordance with paragraph 107(b) of "A Partnership for Growth and Development", adopted by UNCTAD IX.

2. The report is also submitted to the Working Party on the Medium-term Plan and the Programme Budget for its forthcoming review of the technical cooperation activities undertaken by UNCTAD in 1997. The results of that review will be before the Board.

I. OVERVIEW OF ACTIVITIES IN 1997

A. Trends in delivery

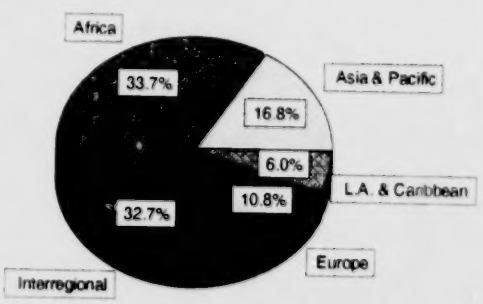
3. UNCTAD's total technical cooperation expenditures from all sources amounted in 1997 to $23.3 million[1], an increase over the previous year of around 4 per cent. Overall, the level of annual expenditures in nominal terms in the 1990s has been maintained at around $20-24 million.

4. As table 1 shows, the continuing decline in the share of expenditures originating from the United Nations Development Programme (UNDP) that started in the early 1990s was reversed in 1997, while trust fund contributions continued to increase slightly.

5. Table 2 provides information on expenditures for least developed countries (LDCs) and on regional and programme shares, for the period 1994-1997. The LDCs' share in 1997 amounted to 40 per cent of total technical cooperation expenditures, an increase of 29 per cent over 1996. Their relative share is expected to continue to increase, as the outcome of UNCTAD IX and the UNCTAD technical cooperation strategy that assigns priority to LDCs are implemented.

6. Table 2 and figure 1 also show the distribution of expenditures by region. In absolute terms, expenditures in the African region and the Asia and the Pacific region have substantially increased. Activities in Latin America and the Caribbean region registered a decline in both absolute and relative terms. The share of the interregional project decreased. Expenditures in the Eastern European transitional economies

Figure 1: Expenditures by region, 1997



[1] All references to dollars are to United States dollars.

also showed a decrease, in both absolute and relative terms, as forecast in last year's report (contained in document TD/B/44/11).

7. Table 3 details 1997 expenditures by programme, according to the present structure of the secretariat. The Division on Services Infrastructure for Development and Trade Efficiency (SITE) accounted in 1997 for 56 per cent of total technical cooperation expenditures. The three other divisions, on International Trade in Goods and Services and Commodities (DITC), Globalization and Development Strategies (GDS) and Investment, Technology and Enterprise Development (DITE), represented respectively 13, 15 and 12 per cent of total expenditures. The balance (4 per cent) was represented by the Office of the Special Coordinator for Least Developed, Landlocked and Island Developing Countries and by activities reported for the secretariat as a whole.

8. Within SITE, the programme on customs reform and automation, the Automated SYstem for CUstoms DAta (ASYCUDA), constituted about 60 per cent of the Division's activities in 1997 (the Division's expenditures totalled $13 million). This programme continues to attract demand from interested beneficiary countries, and is supported by a broad range of donors. In 1997, ASYCUDA was installed in three new countries, and several other projects for customs reform and automation are being initiated in 1998. Other significant SITE activities cover, as in previous years, the trade competitiveness of small and medium-sized enterprises (through the Global Trade Point Network), port management in Somalia, the development and implementation of the Advance Cargo Information System (ACIS) and the Training for the Maritime Industry (TRAINMAR) programme. The Training Development in the Field of Foreign Trade (TRAINFORTRADE) programme, which is now part of this Division, continued to develop a number of training packages, with particular emphasis on international commercial diplomacy.

9. DITC's technical cooperation has focused on the strengthening of trade capacities, assistance in dealing with international trading system issues, training and human resource development, and trade information; much of its work has been associated with assisting countries in the implementation of various outcomes of the Uruguay Round. A number of countries, including Algeria, Belarus, China, Jordan, Lithuania, Nepal, the Russian Federation, Tunisia and Viet Nam, were assisted in the process of their accession to WTO. There was further dissemination of the CD-ROM database on trade-control measures.

10. Work in the area of commodities covered such issues as advice and training on commodity price risk management, the promotion of commodity exchanges in developing countries and the sustainable management of natural resources. As expected expanded assistance in trade-related environment and competition issues was provided in 1997. However, the capacity to continue do so will depend critically on the mobilization of the necessary extrabudgetary resources.

11. Support in the area of debt management, through the promotion and installation of the Debt Management and Financial Analysis System (DMFAS) programme, represented almost 80 per cent of the technical cooperation activities of GDS in 1997. With more than 30 active projects and expenditures of $2.5 million per year, the DMFAS programme is one the main technical cooperation programmes of UNCTAD. DMFAS activities, which continue to be strongly supported by beneficiaries and donors,

Table 1

UNCTAD's total expenditures on technical cooperation,
and source of funds, 1990-1997 (in millions of dollars)

Source	1990	1994	1995	1996	1997
UNDP	17.4	10.8	7.8	6.1	6.8
Trust funds	3.6	10.0	13.4	15.8	16.1
Regular programme	0.6	0.50	0.8	0.5	0.4
Total	21.6	21.3	22.0	22.4	23.3

Table 2

Technical cooperation expenditures, 1993-1997:
by LDCs, by region and by Division
(in thousands of dollars)

	1994	1995	1996	%	1997	%
Total	21 395	21 953	22 440		23 289	
LDCs Total	6 827	6 018	6 988	31.1	9 417	40.4
By region:						
Africa	4 856	5 232	5 724	25.5	7 839	33.7
Asia & The Pacific	3 888	3 157	2 788	12.4	3 905	16.8
Latin America & The Caribbean	2 864	2 512	1 978	8.8	1 407	6.0
Europe	1 569	2 949	3 421	15.2	2 526	10.8
Interregional	8 218	8 103	8 529	38.0	7 626	32.7
By Division:						
Globalization and Development Strategies	2 505	2 590	2 889		3 442	
International Trade in Goods and Services, and Commodities	4 655	2 653	3 008		2 955	
Investment, Technology and Enterprise Development	1 665	2 180	2 812		2 859	
Services Infrastructure for Development and Trade Efficiency	9 923	11 528	12 536		12 981	
Least Developed, Landlocked and Island Developing Countries	484	427	163		491	
Executive Direction and Management, and Support Services	2 162	2 570	1 032		562	

Source: Annex 2, table IV (in document TD/B/45/6/Add.2 - TD/B/WP/109/Add.2).

Table 3

Technical cooperation activities, by Division/Programme, 1997:
expenditures as at 31 December 1997
(In thousands of dollars)

Division	1997				
	UNDP	Trust Funds	Regular Programme	Total	%
GDS: Total	**634**	**2 808**	-	**3 442**	**14.8**
Macroeconomic and development policies	-	430	-	430	1.8
Globalization, development and debt management	615	2 246	-	2 861	12.3
of which: DMFAS Programme	*525*	*2 067*	-	*2 592*	*11.1*
Special programmes	19	133	-	152	0.7
DITC: Total	**1 074**	**1 881**	-	**2 955**	**12.7**
Trade analyses and systemic issues	917	1 111	-	2 028	8.7
Commodities	1	241	-	243	1.0
Trade, Environment and Development	137	380	-	517	2.2
Competition Law and Policy and Consumer Protection	18	148	-	167	0.7
DITE: Total	**386**	**2 473**	-	**2 859**	**12.3**
International Investment, Transnationals and Technology Flows	227	552	-	779	3.3
National Innovation and Investment Policies	169	778	-	947	4.1
Enterprise Development	(10)	1 143	-	1 133	4.9
SITE: Total	**4 471**	**8 510**	-	**12 981**	**55.7**
Trade Infrastructure	4382	6 771	-	11 154	47.9
of which: - ACIS	*15*	*1 927*	-	*1 942*	*8.3*
- Ports, Shipping and Training	*2 064*	*570*	-	*2 634*	*11.3*
- ASYCUDA	*2 303*	*4 274*	-	*6 577*	*28.2*
Business Facilitation	-	170	-	170	0.7
Services for Development	-	564	-	564	2.4
Small and Medium-Sized Enterprise Trade Competitiveness	45	496	-	541	2.3
TRAINFORTRADE	44	508	-	552	2.4
LDC: Total	**50**	**441**	-	**491**	**2.1**
EDM: Total	**113**	**19**	**430**	**562**	**2.4**
Grand Total	**6 728**	**16 131**	**430**	**23 289**	**100**

focused on the refinement and installation of the new version of the system, DMFAS 5.0, which is replacing the old 4.1 version. Over the last four years, the programme has doubled its client base to more than 40 countries. The long- and medium-term debts being or about to be managed by DMFAS amount to around $400 billion, and represent around 25 per cent of the outstanding debt of developing countries and countries in transition. It is expected that this expansion will continue and that by the year 2000 the programme will have a client base of around 60 countries. An external evaluation of the programme, presented in May 1998, reported very positive findings on the use of DMFAS.

12. Other GDS activities carried out in 1997 included the further examination of the legal issues surrounding trading systems greenhouse gas emissions. The studies contributed to growing international acceptance of such a system.

13. DITE's technical cooperation activities were carried out within the framework of three subprogrammes, namely: international investment, transnational and technology flows (27 per cent of the Division's activities); national innovation and investment policies (33 per cent); and enterprise development (40 per cent). Activities under the first subprogramme included work on the preparation of the *World Investment Report*, and the link between foreign direct investment and trade in services. Other important activities were aimed at identifying and assessing the implications for development of a possible multilateral framework for investment.

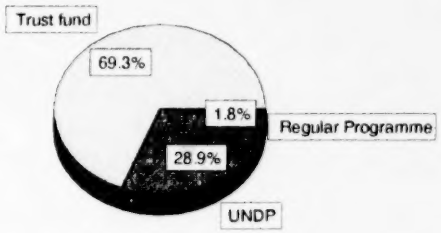
14. Under the subprogramme on national innovation and investment policies, UNCTAD assisted interested countries in attracting foreign investment through training and advice on specific investment issues (for example, the regulatory framework) and undertook policy reviews on investment and on technology and innovation. Under the subprogramme on enterprise development, activities focused on the further expansion of the Entrepreneurship Development Programme (EMPRETEC) aimed at promoting entrepreneurship and the fostering of links between small and medium-sized enterprises and foreign companies. In the area of accountancy, training was provided to the staffs of public- and private-sector enterprises, particularly in transition economies, in implementing accurate auditing laws and standards according to internationally accepted accounting principles. To create an enabling environment for the passage of the model accounting legislation in Azerbaijan, UNCTAD is training 400 auditors.

15. Technical cooperation activities are monitored on a regular basis. Selected projects are subject to evaluation. At its resumed thirtieth session in December 1997, the Working Party on the Medium-term Plan and the Programme Budget reviewed an independent evaluation of the TRAINFORTRADE programme. It also decided to review, at its thirty-second session in September 1998, an independent evaluation of the Trade Point Programme (see part V below).

B. Trends in the mobilization of resources

16. UNCTAD's technical cooperation activities continue to be financed from three main sources: trust funds, UNDP, and the United Nations regular programme for technical cooperation. The decline in UNDP funding, which had dropped to only 27 per cent in 1997, has now been reversed, and UNDP is giving renewed importance to trade and development issues and to the substantial contribution these issues can make to its overall strategy for sustainable human development.

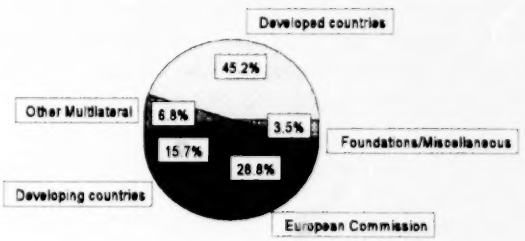
Figure 2: Expenditures by source of funds, 1997



17. In 1997, UNCTAD and UNDP put together a joint programme on the impact of globalization on sustainable human development. The programme aims at achieving greater synergy between UNCTAD's work in trade, investment and related activities and UNDP's vision of sustainable human development. The four-million-dollar programme, which will begin to be implemented in 1998, will assist a group of 10 to 12 low-income countries to develop the policy and institutional tools necessary for successful integration.

18. Contributions to trust funds are provided on a voluntary basis by individual governmental and non-governmental organizations, the enterprise sector and foundations. Table 4 shows the evolution in trust fund contributions, by category, over the last few years (see annex II for a complete list of contributors); 45 Governments and a score of organizations contributed to UNCTAD trust funds in 1997. About 45 per cent of trust fund contributions came from developed countries. Five countries (Japan, Luxembourg, the Netherlands, Norway and Switzerland) accounted for 63 per cent ($3.7 million) of total trust fund contributions in 1997; the European Commission accounted for 23 per cent of total contributions.

Figure 3: Origin of trust fund contributions 1997



19. Actual trust fund contributions declined in 1997, from the 1996 peak of $22 million to around $13 million, below the levels of around $17 million in 1994 and $18 million in 1995. The decline in bilateral contributions from developed countries from $12.7 million in 1996 to some $6 million, was partly the result of a bunching of contributions towards the end of 1996. Further information will be provided to the Working Party and the Trade and Development Board on 1998 bilateral contributions to UNCTAD trust funds.

Table 4

UNCTAD trust fund contributions, 1992-1997a/ (in thousands of dollars)

Category	1992	1993	1994	1995	1996	1997
Developed countries' contributions	8 252	7 856	10 860	10 906	12 732	5 991
of which: associate experts	784	632	536	672	518	873
Developing countries - general contributions	42	174	190	218	1 012	996
Developing countries - self-sustained b/	396	990	2 686	2 096	2 229	1 092
European Commission	1 595	444	1 780	4 123	5 634	3 821
Other Multilateral c/	-	408	888	297	272	905
Foundations/miscellaneous	130	249	195	243	135	464
Total	**10 415**	**10 121**	**16 599**	**17 883**	**22 014**	**13 270**

a/ Exclusive of third-party cost-sharing contributions through UNDP

b/ For activities in their own countries, financed from government resources or through loans from the World Bank and regional development banks

c/ World Bank, United Nations, Food and Agriculture Organization of the United Nations, Organization for Economic Co-operation and Development, United Nations Environmental Programme and United Nations Industrial Development Organization.

20. Developing countries' contributions to UNCTAD's technical cooperation amounted to $2 million, or 15 per cent of the total, in 1997. These contributions take the form of either general-purpose support for other developing countries or self-financing arrangements involving the provision of specified services (e.g. ASYCUDA) by UNCTAD in their countries. Such services are generally financed by the use of loans or grants from the World Bank or the regional development banks.

21. UNCTAD was allotted 72 work-months of interregional advisory services for the biennium 1996/1997, under section 21 of the United Nations Programme Budget. This allotment was used to enhance UNCTAD's technical cooperation in the area of trade, investment and enterprise development.

22. Information on the Trust Fund for Least Developed Countries is provided in part IV below.

23. UNCTAD benefited in 1997, as in previous years, from contributions from several donors for associate experts provided by the donor country or recruited from developing countries. Two developing countries (Benin and Senegal) provided associate experts financed by a donor country. The contribution of individual associate experts to UNCTAD's work continues to be very valuable and UNCTAD would wish to see this programme expanded.

II. PARTNERSHIPS WITH OTHER ORGANIZATIONS

24. This section covers cooperation with selected organizations as regards technical cooperation during 1997 and the first part of 1998. The information in this section is complemented by that provided in annex I, which contains the programme-by-programme descriptions of UNCTAD's technical cooperation activities. A more detailed description of cooperation with other organizations is provided in the document entitled "UNCTAD's cooperation with international organizations in the field of trade and development, 1997-1998" (UNCTAD/EDM/Misc.54), presented to members of the Trade and Development Board in the context of their mid-term review of the implementation of the outcome of UNCTAD IX.

25. UNCTAD's increasing cooperation on operational activities with the International Trade Centre (ITC) and the World Trade Organization (WTO) culminated in the launching in March 1998 of the Common Trust Fund to support the implementation of the UNCTAD/WTO/ITC Joint Integrated Technical Assistance Programme in Selected Least-Developed and Other African Countries. The Joint Integrated Programme aims to help African countries to participate more effectively in the multilateral trading system and improve their export competitiveness. It reflects a strong commitment by the three organizations to coordinate their efforts and resources for the development of African trade. The Common Trust Fund is the first such mechanism established jointly by the three organizations, and needs to attract around $10 million to cover programme requirements for the seven sub-Saharan partner countries. It will consist of two windows. Window I is for unearmarked contributions, which will be used to finance national needs assessments, project development and advisory missions; activities for the collective benefit of participating countries; and complementary or full financing of country projects. Window II, for earmarked contributions, will be allocated to specific country projects. Managed by ITC, the Fund will be guided by a steering group consisting of donors, beneficiary countries and the secretariats of ITC, WTO and UNCTAD.

26. The Joint Integrated Programme has initially focused on eight African countries, four of which are least developed: Benin, Burkina Faso, Uganda and the United Republic of Tanzania. The other four are the Côte d'Ivoire, Ghana, Kenya and Tunisia. For the African LDCs involved, the Common Trust Fund should help implement the results of the High-level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development held in October 1997 under the auspices of WTO, with the active participation of UNCTAD, ITC, UNDP, the World Bank and the International Monetary Fund (IMF).

27. The activities of the Joint Integrated Programme include: (i) the strengthening of national capacities to address the trade implications of the WTO Agreements; (ii) a global electronic discussion forum; and (iii) surveys to determine the impact of the WTO Agreements on national economies and external trade patterns, which will be undertaken in each country covered by the Programme. The Programme also helps African countries to adapt their national legislation to WTO rules, and formulate strategies that will allow them to benefit from new market access conditions and make better use of the special and differential provisions for developing countries and LDCs. Finally, it enables beneficiary countries to set up trade information systems, formulate business development strategies and adapt business performance tools.

28. Pursuant to a request by the Trade and Development Board to strengthen cooperation between the two organizations, UNCTAD and UNDP signed a memorandum of understanding on 17 April 1998 designed to strengthen the capacity of developing countries to become fully integrated in the global economy. The memorandum focuses on collaboration in the areas of trade, enterprise development, investment and capacity-building for sustainable human development.

29. The main objectives of the memorandum are: (i) to achieve greater synergy between UNCTAD's work on trade, investment and related activities and UNDP's vision of sustainable human development; (ii) to strengthen links between the organizations' policy and operational activities; and (iii) to improve collaborative programming. The new programme on the impact of globalization on sustainable human development will assist a group of 10 to 12 low-income countries to develop the policy and institutional tools necessary for successful integration.

30. UNCTAD and the United Nations Industrial Development Organization (UNIDO) launched a strategic alliance to boost investment in developing countries. A memorandum of understanding was signed on 26 March 1998 between the two organizations to ensure cost-effectiveness and optimal use of official development assistance. The alliance harnesses the two organizations' comparative advantages to maximize delivery of services and avoid duplication, as part of United Nations efforts to pool the resources of its agencies. While UNIDO will focus on advice and assistance on issues affecting the industrial sector and on support for investment and technology promotion, UNCTAD will concentrate on policy issues affecting investment promotion, including the regulatory and institutional framework for investment. The arrangements will also include the formation of new partnerships between the two organizations and the private sector of industry.

31. Joint activities will take place at country and global level. The initial target countries or regions are Bangladesh, Bolivia, Burkina Faso, Cambodia, Côte d'Ivoire, the Democratic Republic of the Congo, Ecuador, Egypt, Ethiopia, the Gambia, Guatemala, Guinea-Bissau, Indonesia, Mali, Madagascar, Mozambique, Morocco, Namibia, Nepal, Nicaragua, the Niger, Pakistan, Peru, Senegal, Togo, Uganda and Uzbekistan, as well as the Palestinian Authority and the West African Economic and Monetary Union.

32. Areas for cooperation include: the preparation of investment policy reviews and guides; the development of regulatory frameworks for investment; the organization of investment and technology forums and business gatherings; and the promotion of technological innovation.

33. The secretariats of UNCTAD and the United Nations Environment Programme (UNEP) have enjoyed a very fruitful and harmonious cooperation on trade, environment and development since 1993. On 11 July 1997, the executive heads of the two organizations signed a memorandum of understanding on the issue of environment and trade. The two organizations have been developing and implementing a joint technical programme focusing on multilateral environmental agreements and two UNEP projects on structural adjustment programmes and economic instruments. Joint activities will also be undertaken in the framework of the memorandum of understanding on environmental accounting and reporting at the enterprise level.

III. PARTIAL COST RECOVERY OF SELECTED PROGRAMMES

34. The view that some element of cost-sharing or cost recovery from beneficiaries should be considered in certain UNCTAD technical cooperation programmes, so as to contribute to their financial sustainability, has been under consideration in the secretariat for some time. This matter is particularly relevant to certain technical cooperation activities - notably ACIS, ASYCUDA and DMFAS, which are qualitatively different from the traditional type of activity.

35. These programmes have, in the context of institutional reform and capacity building objectives, developed and installed software packages and trained national staff in their use. As explained in paragraph 43 below, continued post-project support from UNCTAD is essential to sustain the positive impact of the initial technical cooperation. Donors to these programmes have indicated that their continued funding for central programme support functions - which they accept as necessary - is in part contingent upon putting in place measures for financial sustainability that include arrangements for partial cost recovery.

36. The earlier idea of the possible establishment of a consultancy firm, closely associated with UNCTAD, which would be entrusted with the task of the development and sale of computer software and other computerized systems has been found to be not feasible.

37. In "A Partnership for Growth and Development" UNCTAD is requested to explore means to make such programmes as ACIS, ASYCUDA, TRAINMAR, TRAINFORTRADE and the Global Trade Point Network financially self-sustainable (para. 93(b)). This point was followed up in UNCTAD's Technical Cooperation Strategy, adopted by the Board in June 1997, which states that "the UNCTAD secretariat will continue its exploration of making selected programmes financially self-sustainable with a view to presenting its proposals in 1997" (TD/B/EX(14)/3, para. 15).

38. Pursuant to this request, and in the light of the findings of the above-mentioned feasibility study on a consultancy firm, the secretariat, in its 1997 "Review of technical cooperation activities of UNCTAD" (TD/B/44/11), proposed arrangements to give practical effect to the business/cost recovery approach, which would facilitate the financial sustainability of certain programmes (paras. 53-55). These proposals were considered by the thirtieth session of the Working Party on the Medium-term Plan and the Programme Budget and by the Trade and Development Board at its forty-fourth session in October 1997. The Board, in its resolution 444(XLIV), took note of these proposals and requested the secretariat "to report on the legal implications of those proposals and to provide the thirty-second session of the Working Party on technical cooperation with details of alternative cost-recovery options which might be applied, as well as the possibility of special arrangements for least developed countries (LDCs)." The secretariat's response to this request is presented below.

A. General approach

39. The secretariat is favourable to establishing in a systematic manner an element of cost recovery for programmes where it can be established that their implementation demonstrably leads to savings by the beneficiaries, as is clearly the case for ACIS, ASYCUDA and DMFAS.

40. As already indicated in document TD/B/44/11, the secretariat's proposal is not to make these programmes financially sustainable in the sense that they would be entirely commercially viable and depend solely on resources provided by "clients". The overall financial sustainability of the three programmes and the funding of their central support functions will need to depend on:

(i) The allocation of regular budget resources, in accordance with the programme budget;

(ii) Project funds for the implementation of services in individual countries;

(iii) The allocation of part of the overheads generated by projects to the programme concerned;

(iv) The continued commitment of the donor community - albeit on a smaller scale than in recent years; and

(v) Partial cost recovery.

B. Legal aspects

41. UNCTAD has ascertained from the United Nations Office of Legal Affairs that the Trade and Development Board may authorize the introduction of partial cost-recovery arrangements of the type described under the various options below. The Office has further advised, with respect to the ownership of software, that specific reference to the vesting of intellectual property rights in UNCTAD should be made in future trust fund agreements concluded by UNCTAD, to avoid any misunderstanding. The secretariat intends to implement this recommendation.

C. Operational and financial aspects of ACIS, ASYCUDA and DMFAS

42. These successful programmes have a similar modus operandi. They are management-improvement programmes aimed at making key development institutions more effective. They are relatively large, representing together more than 50 per cent of UNCTAD's technical cooperation expenditures in 1997. In that year, actual expenditures on ASYCUDA amounted to $6.5 million, and on ACIS and DMFAS to more than $2.5 million each.

43. A common characteristic of the three programmes is that their implementation includes making a software package available to a beneficiary country, together with advice, support and training in the utilization and operation of the software. In

contrast with traditional technical cooperation projects - in which the external agent ceases to provide assistance once the project is completed - each of the three programmes is continuously called upon to extend post-project software advice, support and updating. It is not a realistic, or even desirable, option for UNCTAD to leave the "client" to fend for himself. Although UNCTAD is not legally bound to respond to post-project requests, the secretariat has a de facto responsibility to address this issue in a professional manner, and provide high-quality services to ensure the sustainability of the initial investment, so that the initial positive impact of the projects is not lost.

44. The financial sustainability of two of these programmes, including questions related to partial cost recovery, has recently been addressed in two different contexts. An evaluation of DMFAS undertaken by Helbling Management Consulting AG on behalf of the Swiss Government in March 1998 included proposals for a standardized cost-recovery mechanism; these proposals were favourably received at a DMFAS donors meeting held on 12 May 1998. The First World ASYCUDA Meeting, held in Manila in the Philippines from 9 to 10 March 1998, adopted a declaration containing the following recommendation: "Reasonable cost recovery should be determined and collected from new ASYCUDA++ user countries. In establishing such user fees, UNCTAD should take into account the level of development and size of the economies of the countries utilizing ASYCUDA." The broad thrust of these recommendations is in line with the secretariat's own thinking.

45. The following arrangements are proposed for the introduction of standardized partial cost-recovery mechanisms for ASYCUDA and DMFAS (paras. 46-54 below) and for ACIS (paras. 55-57 below).

1. A software charge for new users

46. The first proposal concerns the systematic introduction of a one-off software charge for all new countries requesting the installation of ASYCUDA or DMFAS. This is already being done in a number of cases on an ad hoc basis. It should be noted that implementation of these programmes generates savings in the recipient countries, while if a country or institution wished to develop its own software (or engage a private consultancy firm to undertake such work), the cost would most probably amount to several million dollars per country[2].

47. It is thus proposed to include, in each new UNCTAD-implemented country project involving the initial installation of ASYCUDA or DMFAS, a modest amount reflecting payment for the software. This would be in addition to the costs of actual implementation services included in individual project budgets (see para. 40 (ii) above). It is further proposed that the payment would be on a flat-rate basis, initially $200,000 per country installation for ASYCUDA and $100,000 per country installation for DMFAS[3]. These rates have been determined after taking into account

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[2] The development costs for ASYCUDA are conservatively estimated at $15 million and for DMFAS at $5 million.

[3] Subject to review in cases where there is more than one client institution per country.

the value of the software, the funding needs of the central teams and the prevailing market for competing products.

48. The option of having a graduated software charge which varies according to the economic size of the recipient country, or according to some other criterion, is possible; countries could be charged according to the level of their assessed contribution to the regular budget of the United Nations, or their stock of debt (for DMFAS), or the value of their merchandise trade (for ASYCUDA). These options have been considered by the secretariat, but are regarded as less desirable on the grounds of simplicity and equity.

49. The proposed charges may be made under a special budget line in a project document which comprises the installation of ASYCUDA or DMFAS, or may be kept separate from the project itself. In either case, the contribution may be made by the recipient itself or by any donor prepared to assist the beneficiary in this regard.

50. On the basis of the foreseeable requests for ASYCUDA and DMFAS, it is estimated that this measure will yield about $800,000 per year for ASYCUDA and $400,000 for DMFAS[4]. Since this is a one-off charge, the income generated may taper off as the global spread of ASYCUDA and DMFAS naturally leads to requests from fewer and fewer countries.

2. Annual maintenance or user support fee

51. The second proposal is for the introduction of an annual maintenance or user support fee to be paid by users when a project has been completed. This fee would be intended to cover part of the provision by UNCTAD of basic support services for systems already in place. These services would typically include:

(i) A hotline service, to provide quick responses to problems and queries in areas related to the use of the system, encompassing both operational and technical issues. This service would be provided in a minimum of three languages using all available means of communication (including telephone, fax and e-mail).

(ii) New versions of software resulting from evolving user requirements would be provided on a regular basis. The support services would coordinate and analyse system change requests and software incidents reports, and would make the appropriate adaptations to the system. They would plan and implement the distribution of the new versions and corrective patches.

52. In certain cases, support services may be more conveniently provided by a regional centre. Other services not included in the standard list of services - such as software modifications, new functionalities or training and advisory missions - would need to be covered on a full-cost basis, for instance under a

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[4]. Note that these figures are projections that depend for their realization on the actual signature of new projects.

follow-up or separate project. As in the case of the initial software charge, this charge could be met by a donor on behalf of a particular recipient.

53. One option for the annual maintenance fee would be to charge a flat rate, as in the case of the software charge. However, in this case it is proposed to graduate the amount of the fee according to the anticipated complexity and volume of the work involved. Specifically, in the case of ASYCUDA++ user-countries, it is proposed to calculate the fee on the basis of $1,000 per server and associated client computer. In the case of DMFAS, the fee would be $10,000 per maintenance contract[5]. Annual income from this fee, when the scheme is in full operation in a few years' time, is estimated to be approximately $400,000 each for ASYCUDA and DMFAS; the amount would increase as the number of ASYCUDA and DMFAS user-countries continued to increase.

54. There will inevitably be a time lag between the introduction of cost-recovery measures and the time when the resulting contributions are actually received by UNCTAD. Consequently, it will be necessary to ensure bridge funding for the interim period.

3. ACIS

55. As indicated above, ACIS shares many of the characteristics of ASYCUDA and DMFAS, and the same cost-recovery principles will be applied. However, in view of certain special features of ACIS, notably the fact that its implementation consists of a number of optional modules and sub-modules, and the fact that the central team has not so far benefited from separate donor support, the proposed modus operandi is slightly different.

56. It is proposed that each new ACIS project should give rise to the development of a new sub-module (costing between $50,000 and $100,000 each); the recovery of this amount would, in aggregate, cover the cost of the development team and therefore gradually increase the list of operational sub-modules. This arrangement would be similar in concept to the software charge described for ASYCUDA and DMFAS.

57. It is also intended to establish ACIS maintenance contracts with the beneficiary operator, based on actual experience in operating such contracts. Under this approach, regular field missions would be undertaken, hardware spare parts supplied, and technical support and telemaintenance provided. The customization and installation of any upgraded version would also be provided. These maintenance contracts will be tailor-made and their cost will depend on the actual services to be provided.

4. Least developed countries

58. The Board has requested that the possibility of special arrangements for LDCs should be considered. The above proposals would allow for special consideration

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[5]. There are normally between one and three client institutions in each DMFAS country, namely the central bank and/or up to two economic ministries.

of LDCs in two ways. First, the application of the maintenance fee has an inbuilt bias in favour of smaller economies and those making use of less extensive networks. Second, and more importantly, the expectation is that the greatest possible efforts will be made to ensure that the responsibilities of LDCs under cost-recovery arrangements are funded by donors, rather than the LDC itself.

5. Access to services and other administrative matters

59. The proceeds of contributions received through the above arrangements would be credited to central trust funds corresponding to each programme, administered in accordance with the financial regulations and rules of the United Nations.

60. The implementation of the new cost recovery mechanisms will naturally have no retroactive character. They will be introduced on 1 January 1999, and, as from that date, access to the services of the programmes will be available to those countries which freely choose to do so under the applicable UNCTAD policies described above. Thus, whenever a country opts for the installation of ASYCUDA or DMFAS, the beneficiary (and the donor, if any, funding the project) will know in advance that this entails a software charge at the applicable standard rate (or be requested to fund the development of the appropriate ACIS sub-module).

61. As regards post-installation maintenance services in countries where ACIS, ASYCUDA or DMFAS have been installed, these would be available to countries which decided to enter into the corresponding annual or pluri-annual contract. Conversely, countries which do not have a maintenance contract should not expect to receive a similar service.

62. The Working Party and the Board may wish to take note of the secretariat's proposals and of the intention of the Secretary-General to take action on them in the light of any comments. The Board may wish to request the secretariat to report on this matter at suitable intervals.

IV. ACTIVITIES REGARDING LEAST DEVELOPED COUNTRIES

A. Trust Fund for Least Developed Countries

63. In accordance with the recommendations in the final document of UNCTAD IX that LDCs should constitute a cross-cutting issue in the work of UNCTAD and with the priority focus assigned to them in UNCTAD's technical cooperation activities, the Trust Fund for Least Developed Countries was established and became operational in early 1997. The objective of the Trust Fund is to facilitate the start-up of new activities in favour of LDCs and to enhance UNCTAD's technical cooperation activities in support of these countries.

64. The Trust Fund has attracted contributions or pledges from developed countries as well as from non-traditional and developing countries. As at the end of May 1998, contributions or pledges by 14 countries to the Trust Fund amounted to approximately $4 million, or 80 per cent of the initial target of $5 million (see table 5) set with the aim of ensuring regular replenishment so as to maintain annual expenditures at around that level.

65. Contributions to the Trust Fund may be earmarked or unearmarked. Earmarked contributions are allocated to specific objectives and activities agreed with donors. Unearmarked contributions finance the core project of the Trust Fund and are mainly used for the purpose of elaborating of UNCTAD-wide Integrated Country Programmes for Strengthening Supply Capacities of Tradeable Goods and Services for Least Developed Countries, taking fully into account decision 445 (EX-16) of the Trade and Development Board at its sixteenth executive session on the implementation by UNCTAD of the outcome of the High-level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development.

B. UNCTAD-wide Integrated Country Programmes for Strengthening Supply Capacities of Tradeable Goods and Services for Least Developed Countries

66. In its agreed conclusions 435 (XLIII), the Trade and Development Board encouraged the Secretary-General of UNCTAD to elaborate UNCTAD-wide integrated country-level programmes for LDCs. In the design and implementation of such programmes, UNCTAD was requested to closely collaborate and coordinate with the organizations concerned, such as WTO, ITC, the World Bank, IMF, UNDP, UNIDO and other development organizations to ensure coherence in policy advice and support. Integrated country programmes coordinate individual UNCTAD technical cooperation projects in LDCs on trade, investment and enterprise development which complement activities undertaken by other agencies.

67. Further to that decision, framework integrated country programmes were drawn up for Bangladesh, Cambodia, Ethiopia, the Gambia, Haiti, Madagascar and the Sudan. The framework programmes for Bangladesh, Cambodia, the Gambia and Madagascar, which were prepared prior to the WTO High-level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, are being revised in the light of the needs assessment exercise for trade-related technical assistance for LDCs carried out within the context High-level Meeting and the Integrated Framework for Trade-Related Technical Assistance, including for Human and Institutional Capacity-Building, to Support Least Developed Countries in their Trade and Trade-Related Activities. The outcome of the High-level Meeting was taken into account in the elaboration of the framework programmes for Ethiopia, Haiti and the Sudan, since work on them began after the High-level Meeting and the sixteenth executive session of the Trade and Development Board.

68. On the basis of the above consideration, the Governments concerned agreed that fully-fledged integrated country programmes and the appropriate support documents should be prepared. In parallel with this exercise, some of the activities identified in the framework programmes and considered by the LDCs concerned as priority areas for intervention have begun to be implemented. They include the following activities: in Cambodia, activities related to ASYCUDA and accession to WTO; in the Gambia, the formulation of trade policy, an investment code and investment policy, and a proposal for restructuring the Indigenous Business Advisory Services; and in Haiti, a training seminar on market access.

Table 5

Pledges/contributions to the Trust Fund for Least Developed Countries
(as at 19 May 1998): in dollars

Contributions			Allocations	
Country	**Pledged**	**Received**	**Earmarked**	**Unearmarked (INT/97/A09)**
China	100 000			100 000
Cyprus		3 000		3 000
Finland		181 580		181 580
France		502 994	1. CAPAS (Djibouti, Mali, Zambia) (82 781) 2. Activities in Madagascar (84 459) 3. ITC/UNCTAD/WTO Joint Integrated programme (84 459) Total: 251 699	
Ghana		50 000		50 000
India		100 000		100 000
Ireland		199 444		199 444
The Netherlands		956 410	Follow-up and implementation of measures in favour of LDCs adopted by major global conferences (956 410)	
Norway		585 000	1. DMFAS (112 500) 2. Multilateral framework for investment (112 500) 3. TRAINFORTRADE (75 000) 4. Biotrade Initiative (50 000) 5. Pilot Seminar on Portfolio Investment (135 000) Total: 485 000	6. 100 000
Portugal		100 000		100 000
Republic of Korea		100 000		100 000
Sweden		165 013	Activities related to four LDCs (Benin, Burkina Faso, United Republic of Tanzania and Uganda) within the framework of ITC/UNCTAD/WTO Joint Integrated Programme (165 013)	
Switzerland		1 000 000	1. LDC participation in World ASYCUDA Meeting (Manila, March 1998) (164 000) 2. ITC/UNCTAD/WTO Joint Integrated Programme (Uganda) (440 000) Total: 604 000	
Totals	**100 000**	**3 943 441**	**2 462 122**	**934 024**

Note: Of total contributions (pledged plus received) of $4 043 441, $647 295 remain to be committed for earmarked activities.

C. Follow-up to the High-level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development

69. At its sixteenth executive session, the Trade and Development Board, in its decision 445 (EX-16) on "Action by the Trade and Development Board on the implementation by UNCTAD of the outcome of the High-level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development", endorsed the Integrated Framework for Trade-Related Technical Assistance, including for Human and Institutional Capacity-Building, to Support Least Developed Countries in their Trade and Trade-Related Activities. The Board also requested the UNCTAD secretariat, inter alia, to continue, through inter-agency coordination, to contribute to the needs assessment exercise, including in refining needs assessment; to help LDCs to prepare, jointly with other agencies or partners, a multi-year trade-related technical cooperation programme; to contribute and provide technical support to those round-table processes at the country level envisaged in the Integrated Framework; to contribute to the establishment and maintenance of integrated country databases; and to contribute to the implementation, review and evaluation of each country programme through an enhanced coordination process with the other organizations involved. A report on follow-up will be provided to the forty-fifth session of the Trade and Development Board under agenda item 5.

70. In order to further strengthen the existing coordination process among the six agencies, broad understanding has been reached on setting up an inter-agency working group, comprising staff from each of the agencies involved, designated by their agency as being responsible for the coordination of its contribution under the Integrated Framework. The working group will continue to meet regularly to maintain inter-agency collaboration, to assume responsibility for managing the programme of activities that is called for under the Integrated Framework, to carry out the evaluation of the Integrated Framework planned for two years after its endorsement, and to identify and carry out any other work resulting from its implementation.

71. As part of this approach, it has also been agreed to establish a small administrative unit, located in ITC, to handle the day-to-day administrative work and to service meetings of the inter-agency working group.

72. As was agreed in the High-level Meeting, the activities for individual African LDCs under the Joint Integrated Technical Assistance Programme in Selected Least Developed and Other African Countries are subsumed in the Integrated Framework. On 1 March 1998, UNCTAD, WTO and ITC launched the Common Trust Fund to support the implementation of the programme (see para. 25 above).

73. In the above-mentioned decision, the Trade and Development Board also requested the UNCTAD secretariat to ensure that existing relevant technical cooperation activities of UNCTAD, including country-specific, sectoral and other inter-agency programmes, were supportive of, complemented and promoted the effective implementation of the outcome of the High-level Meeting. In line with this request, and since the concept of integrated country programmes contributed to the adoption of recommendations at the Singapore Ministerial Meeting of the WTO and to the subsequent adoption of the Integrated Framework, the framework integrated country programmes and their support documents take fully into account the outcome of the High-level Meeting and the Integrated Framework, thereby merging and consolidating

the two exercises into one. The elaboration of an integrated country programme for one more LDC is under consideration. This will bring to eight the number of integrated country programmes in the first series. Work on the design and elaboration of more such programmes will be subject to the results of the evaluation of the first series. In the meantime, the secretariat will implement the decision of the Board with regard to the follow-up of the High-level Meeting for other LDCs.

74. At its thirty-first session, held in May 1998, the Working Party on the Medium-term Plan and the Programme Budget reviewed the allocation of $5.5 million pursuant to General Assembly decision 52/462 of 31 March 1998. The Working Party agreed that resources should be allocated to, among other things, the follow-up to the High-level Meeting. At the time of writing, these proposals have been transmitted to the General Assembly for consideration.

V. OTHER MATTERS

A. Evaluation of technical cooperation programmes

75. An evaluation of the TRAINFORTRADE programme was conducted in 1997 by an independent consultant under the guidance of the Programme, Planning and Assessment Unit of UNCTAD. The report on the evaluation is contained in document TD/B/WP/103. To quote from the report, the overall evaluation can be summarized as follows: "Having adopted, almost ahead of its time, an excellent formula responding to real needs, TRAINFORTRADE possessed many assets to achieve an outright success. Seven years later, the record is much more nuanced. To be sure, several quality training packages have been compiled and TRAINFORTRADE has made its mark in many countries and a number of regions. All the same, the results do not match the stated objectives and expectations. TRAINFORTRADE is now suffering from the fact that its credibility has been damaged by the failure to achieve the targets set, by shortcomings in management and follow-up and by an inability to ensure the sustainability of its actions. This syndrome is reflected at times by a certain 'donor fatigue' and worrying slippages. The reputations of the Programme will have to be enhanced through the implementation of appropriate remedial measures."

76. As a result of the report, the following recommendations were made concerning the TRAINFORTRADE strategy and its implementation: setting more limited targets; greater utilization of the complementary expertise offered by other institutions; stage-by-stage programming of activities; emphasis on new training methods; strengthening the basis of the programme within UNCTAD; increasing resources; and more systematic monitoring.

77. In the second part of its thirtieth session in December 1997, the Working Party on the Medium-term Plan and the Programme Budget considered the evaluation report. It reaffirmed the importance attached to human resource development and to UNCTAD's role in this respect, in accordance with the Midrand Declaration, and invited the Secretary-General of UNCTAD to pursue his efforts to reinforce these activities; it recognized the expertise and comparative advantage of UNCTAD in this area. It welcomed the measures taken by the Secretary-General of UNCTAD to strengthen the TRAINFORTRADE programme and invited him to take into consideration in this process the conclusions and recommendations contained in the evaluation

report and to submit a progress report to the Working Party in 1998. It invited donor Governments and institutions to increase their contributions to the programme.

78. At the time of writing, the further development of the TRAINFORTRADE programme is under consideration in the light of other relevant activities of UNCTAD and the preparations for the Lyon Partners in Development meeting. Additional information will be provided to the Working Party and the Trade and Development Board on this matter.